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PENNSTATE

The Mary Jean and Frank P. Smeal
College of Business Administration

Published since 1938

Pennsylvania Business Survey

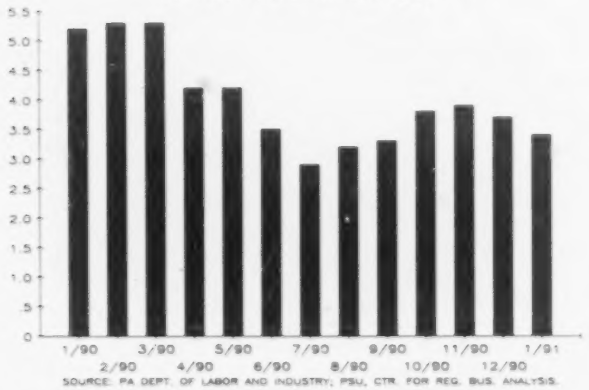
March 1991

WEAKNESS APPARENT ACROSS THE BOARD

There are no signs of strength in the Pennsylvania economy as 1991 is off to a sluggish start. Trends which characterized the latter half of 1990 — a weak job and employment situation, sluggish factory activity, declining construction activity, etc. — remain in place. Some analysts argue that the end of hostilities in the Persian Gulf region will usher in an economic recovery in the nation as a whole, a prerequisite for a rebound in the Commonwealth. Initially, there may well be some improvement in the economy's performance. However, after an initial period of post-war euphoria, the economy is likely to emerge with many existing problems still intact. In a nutshell, the end of the war will not necessarily be the cure-all for the economy that some expect. (As mentioned in previous issues of the *PBS*, the economic impacts associated with the war effort, including its conclusion, are best viewed as secondary relative to other impacts, especially impacts measured in "human" terms.)

This recession was supposed to have been heavily felt in the service industries, which, historically, have held up fairly well during economic downturns. So far, however, at least in terms of the job situation in Pennsylvania, these industries have held up quite well. Four major service industries in the Commonwealth, health, business, educational, and social services, started out 1990 with annual job growth rates in the neighborhood of 5 percent (chart). In recent months, gains have fallen in the 3-3.5 percent range. So, while these industries have been impacted by the national recession, they are still holding up reasonably well. Indeed, except for business services, 1990 job trends in these four industries fall pretty much in line with gains from the 1983-1989 recovery period (table).

RECENT JOB GROWTH IN
MAJOR PA SERVICE INDUSTRIES
(annual percent change)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

Historical job growth in major PA service industries (average annual percent change; 1990 job totals in parenthesis)

	1983-1989	1989-1990
Health services (472,700)	3.5	4.3
Business services (211,000)	5.4	3.3
Educational services (155,900)	2.5	2.3
Social services (103,900)	7.5	7.1

Source: PA Dept. of Labor and Industry; PSU, Ctr. for Reg. Bus. Analysis.

One service-producing area which has been hard-hit by the recession is Pennsylvania's retail trade industry. The Christmas shopping season was not particularly robust. December retail sales were down 1.6 percent from a year ago. On a seasonally adjusted basis, they were off from November readings. After a brief two-month respite, new motor vehicles registered in the Commonwealth resumed a downward trend in December. The 0.8 percent gain in retail sales for 1990 as a whole was the weakest showing in at least a decade (chart).

If anything, trends in the construction industry are worsening, especially on the residential side. New housing units authorized by permit in January are down one-third from a year ago. On a seasonally adjusted basis, the value of residential construction contracts awarded in January plunged from December readings. Trends are a bit more en-

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	Dec.	Pct. chg.	Year-to-date	Pct. chg.
Total	8,220	-1.6	82,749	0.8
Durables	2,434	-4.6	28,255	-3.1
Bldg. mat.	188	-22.3	3,246	-4.9
Auto dlrs.	1,006	-2.5	16,437	-3.2
Furniture	391	-13.7	3,784	0.5
Other	849	3.0	4,788	-3.9
Nondurables	5,786	-0.3	54,494	2.9
Gen. mdse.	1,416	-4.1	9,147	0.8
Food/grocery	1,645	6.2	17,209	3.9
Gas	467	14.2	5,110	8.4
Apparel	548	-7.6	4,230	-0.9
Eat/drink	753	-6.0	9,481	0.3
Drugs	333	1.5	3,169	0.6
Other	624	-3.9	6,148	7.3

Seas. adj. total: December 6,828
November 7,067

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability.

couraging on the nonresidential side, especially in terms of contract valuations.

On a brighter note, residential real estate activity fared well in last year's fourth quarter as sales of existing homes were up 12.2 percent from the final three months of 1989. Still, it is easy to pick up signs of weakness. For 1990 as a whole, existing home sales were off 4.9 percent in Pennsylvania from a year ago. Nationwide, sales in 1990 were off only slightly less, at 4.3 percent.

Factory activity is also feeling the brunt of the national recession. Although subject to revision, **production trends in the Commonwealth's manufacturing establishments in December and January were the weakest since mid-1987. Manufacturing output is down about 6 percent since production reached a recovery period high in early 1989.** On the jobs front, the number of positions on payroll at manufacturing establishments fell below the one million-mark for the first time on record in recent months. In January, the 992,000 jobs in these industries were off by 31,000 from the same period in 1990. Other measures of the factory sector's health, including steel production, the average workweek and earnings trends, also point to some softness in these all-important industries.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
December	47,146	-9.3
1990 YTD	612,419	-8.0

Source: R.L. Polk & Co.

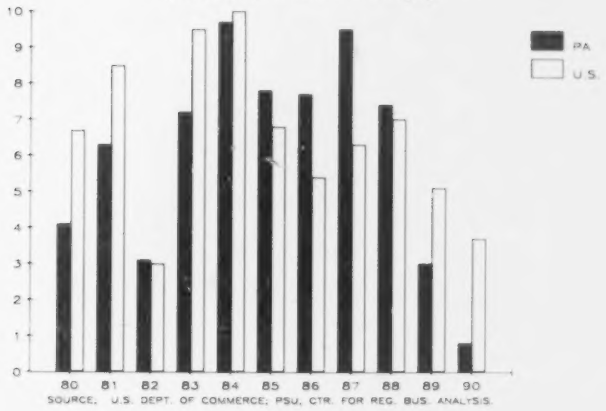
Economic Activity in Pennsylvania	UNADJUSTED DATA 1990 Dec.	UNADJUSTED DATA 1990 Jan.	UNADJUSTED DATA 1989 Jan.	SEASONALLY ADJUSTED DATA 1990 Dec.	SEASONALLY ADJUSTED DATA 1990 Jan.	SEASONALLY ADJUSTED DATA 1989 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1990 Dec.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1990 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1989 Jan.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,219	5,107	5,089	5,185	5,194	5,176	113.6	113.8	113.4
Service Producing									
No. of wage and salary jobs (thous.)	3,973	3,886	3,833	3,933	3,940	3,887	131.5	131.7	129.9
Transportation and public utilities	274	268	260	270	270	262	103.2	103.2	100.0
Wholesale trade	278	276	275	278	278	277	125.4	125.3	125.0
Retail trade	938	899	897	905	911	909	126.2	127.0	126.8
Finance, insurance & real estate	299	299	298	300	301	301	137.9	138.4	138.2
Service & miscellaneous	1,466	1,447	1,405	1,471	1,474	1,431	170.5	170.9	165.9
Federal government	136	136	140	138	138	142	107.9	107.9	110.7
State & local government	582	561	558	571	568	566	98.0	97.5	97.1
Goods Producing									
No. of wage and salary jobs (thous.)	1,245	1,221	1,255	1,252	1,255	1,289	79.5	79.7	81.9
Construction	219	203	205	225	228	231	122.5	124.1	125.6
Mining	27	26	27	27	27	27	56.0	56.0	57.1
Manufacturing	998	992	1,023	999	999	1,031	74.4	74.5	76.8
Durable goods	562	559	580	561	564	584	69.3	69.6	72.2
Nondurable goods	437	433	444	436	436	447	81.8	81.9	83.9
Ave. wkly. hrs. worked by prod. workers	40.9	39.8	40.6	40.5	40.0	40.8	102.5	101.2	103.2
Total wkly. person-hours worked (mils.)	28.0	27.0	28.6	27.7	27.4	29.0	72.2	71.4	75.6
Total wkly. payroll (mil. dols.)	315.5	304.1	311.3	310.4	306.5	313.6	138.1	136.4	139.6
Average hourly earnings (dollars)	11.27	11.26	10.88	11.22	11.23	10.85	191.8	191.9	185.4
Average weekly earnings (dollars)	460.94	448.15	441.73	452.96	449.07	442.34	195.8	194.1	191.2
Steel production (thous. tons)	889	940	1,034	n.a.	n.a.	n.a.	46.1	44.5	49.1
Industrial electric power sales (mil. kwh)	3,587	3,685	3,807	3,648	3,715	3,838	98.8	100.6	103.9
Mining									
Anthracite coal (thous. net tons)	183	210	237	191	265	300	39.0	54.2	61.4
Bituminous coal (thous. net tons)	4,485	5,029	6,045	5,104	5,238	6,063	72.4	74.3	86.0
Construction contracts awarded (mil. dols.)									
Total	558.5	573.3	565.1*	662.3	829.0	847.4*	205.9	257.7	263.4*
Residential building	246.2	155.6	194.5*	324.8	211.5	282.5*	230.8	150.3	200.7*
Nonresidential building	198.7	354.4	244.4*	233.8	526.4	370.6*	215.5	485.2	341.6*
Nonbuilding (utilities and public works)	113.6	63.3	126.2*	103.7	91.1	194.3*	143.1	125.6	268.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,567	5,416	5,513	5,566	5,505	5,601	115.8	114.6	116.6
Unemployed									
No. of persons (thous.)	324	415	348	341	364	299	84.9	90.7	74.6
Rate (percentage of labor force)	5.5	7.1	5.9						
Rate, seasonally adjusted				5.7	6.3	5.2			
Civilian labor force, no. of persons (thous.)	5,891	5,831	5,860	5,906	5,869	5,900	113.4	112.7	113.3
Initial claims for unemployment benefits	155,811	190,206	149,608	107,520	115,436	87,641	75.1	80.6	61.2

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1990-91 Dec.	1990-91 Jan.	1990 Jan.	Percentage Change Month Ago	Percentage Change Year Ago
U.S. city average	133.8	134.6	127.4	0.6	5.7
Philadelphia	139.4	140.4	131.2	0.7	7.0
Pittsburgh	129.1	n.a.	121.8&	n.a.	6.0

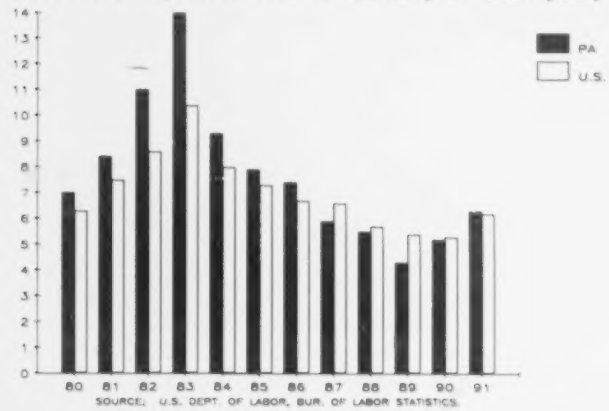
[1] Total includes workers on strike. * = figure revised & figure for December 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA AND U.S. RETAIL SALES GROWTH
(annual percent change)



PA AND U.S. JANUARY UNEMPLOYMENT RATES
(seasonally adjusted rates for January of each year)



New Pennsylvania building permit authorizations (percent change from year ago)

	Jan.	Pct. chg.
Residential	1,698	– 32.1
Nonresidential	650	– 7.9

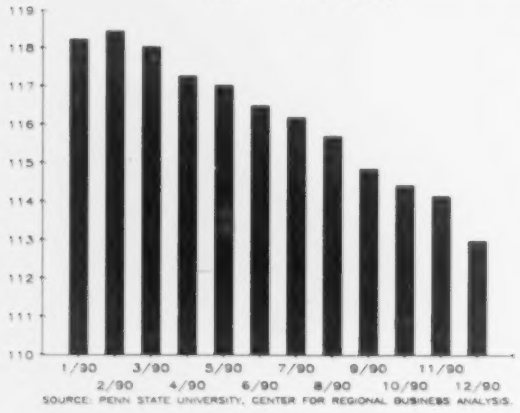
Source: U.S. Dept. of Commerce, Bureau of the Census.

Pennsylvania existing home sales (seas. adj. ann. rates; thousands)

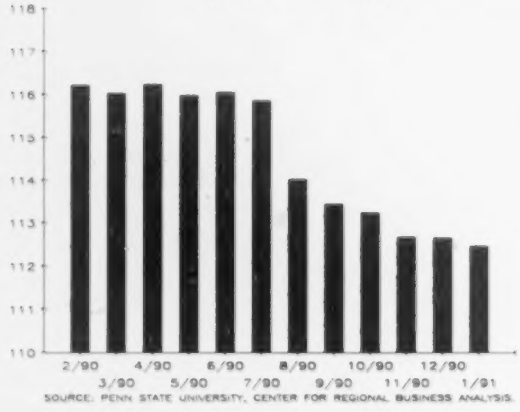
		Pct. change	
	Sales	Qt. ago	Yr. ago
1990:IVQ	263.1	7.8	12.2
1990:IIIQ	244.1	8.5	– 1.9
1990 YTD	231.0	n.a.	– 4.9

Source: National Association of Realtors.
Most recent data are preliminary.

PENNSYLVANIA INDEX OF COINCIDENTAL INDICATORS
(Dec. 1978=100)



PENNSYLVANIA INDEX OF LEADING INDICATORS
(Dec. 1978=100)



Taken as a whole, nonfarm job trends remain their weakest in several years. January readings were up just 0.4 percent on an annual basis. The only positive trends are those found in the service industries (highlighted above). The substantial seasonally adjusted job gain in retail trade industries in January, relative to December, is misleading. It is the result of less-than-normal layoffs following the holiday shopping season as fewer temporary workers were added to payrolls in expectation of the sluggish buying trends. At 899,000, retail trade job totals in January were up by only 2,000 from a year ago. Still, despite the problems evident in several industries, nonagricultural job totals remain at a record high, though just barely.

Recent unemployment trends provide considerable insight into the Pennsylvania economy's overall performance of late. For the second straight year, the most recent jobless rate for the month of January is up from a year ago (see chart). During the 1984-1989 period, there was continuous improvement in this measure of the economy's health. Additionally, over the 1987-1990 period, the Commonwealth maintained a jobless rate which consistently remained a notch below the nation's. However, recent trends show signs of a reversal in this pattern. **At a seasonally adjusted 6.3 percent in January, the State's jobless rate was higher than at any other time since mid-1986.** Further deterioration is apparent in the February reading, the first indicator of the economy's health for that month. **The number of Pennsylvania residents officially listed as employed in January was off by nearly 100,000 from a year ago.**

The fact that the national recession has entrenched itself in Pennsylvania is evident in recent trends in the Pennsylvania Index of Coincidental Indicators (chart). **The PICI has declined in each of the past ten months** (through December). There has been significant deterioration in each of the four components — nonfarm jobs, factory production, real retail sales, and the U.S. coincidental index — of the

index in recent months. Much the same is true for the Pennsylvania Index of Leading Indicators. This gauge of future expectations fell off considerably in the second half of last year with weakness continuing into the first month of 1991 (chart). This suggests that **there is little likelihood of a rebound for at least the next several months. If the much-discussed mid-year recovery is to unfold, signs should emerge in the PILI within the next month or two.**

— William D. Anderson

Personal Income Report

Last year's third quarter brought with it further evidence that personal income trends were showing signs of weakening along with other measures of the economy's health. These trends provide further confirmation that the national recession settled home in Pennsylvania sometime during the second half of last year. During the July-September period, personal income, the total of all income received by individuals including wages and salaries, interest/dividend/rent income, and transfer payments, was up 5.8 percent from a year ago. Personal income came in at an annual rate of $221.4 billion during the period. Nationally, income was up a slightly stronger 6.3 percent. These most recent trends represent a continuation of the long-term pattern which finds the Commonwealth coming up a bit short of national norms in terms of personal income growth.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

		Pct. change			Pct. change	
	Personal income	Qt. ago	Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1990:IIIQ	221,409	1.2	5.8	220,379	1.3	5.7
1990:IIQ	218,707	1.7	5.8	217,634	1.8	5.8
1990 YTD	218,376	n.a.	5.7	217,296	n.a.	5.6

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

The sluggish pace of economic growth last year in Pennsylvania is perhaps most evident in the growth in "real" or inflation-adjusted income. Real income was up a minimal 0.2 percent over year-ago readings during the third quarter. Gains were below 1 percent in each of the first three quarters of 1990. Pennsylvania has not put together such a string of unimpressive showings since the early 1980s, during the State's previous bouts with recession.

Clearly, the Commonwealth economy was limping as it entered into the final months of 1990. Expectations are for continued sluggish trends until at least the middle of 1991.

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April 1991

LITTLE RELIEF IN STORE FOR THE PENNSYLVANIA ECONOMY

Nationally, the current recession is showing a bit more staying power than was originally thought to be the case only a few months ago. **In Pennsylvania, economic conditions have deteriorated faster than expected and the downturn has been more pronounced than anticipated. Conditions are not expected to get much better in the coming months in the Commonwealth. A recovery can confidently be ruled out, at least for the next several months. The big question revolves around whether the State's economy will continue to deteriorate at a rate similar to recent trends, whether the rate of decline will become more pronounced, or whether the rate of decline will ease a bit, perhaps allowing the economy to settle into a holding pattern. Regardless of which scenario pans out, upward pressure on joblessness, weak employment trends, declines in construction activity, sluggish retail sales growth, and cutbacks in factory activity are likely to continue, at least until mid year.**

This recession has hit the Pennsylvania manufacturing sector especially hard. **Production, as measured by the Pennsylvania Manufacturing Activity Index, has been trending down for about two years (chart). Factory output is at its lowest level since the beginning of 1987. This comes on top of continued downward pressure on manufacturing job levels.** February's reading of factory job totals highlights a loss of 41,000 positions from a year ago. During the past three months, job levels have declined at a 3.5 percent annual clip. Over the course of the back-to-back recessions of the early 1980s, manufacturing jobs fell at a rate of 5.7 percent.

Earnings on the part of manufacturing production workers have not kept pace with inflation of late. During the first two months of 1991, average hourly earnings are up 3.2 percent. Measured on a weekly basis, earnings are up an even weaker 1.8 percent. These gains fall well short of advances in the overall level of prices. Such a trend is not new. Pennsylvania's manufacturing workers have struggled to maintain purchasing power for several years.

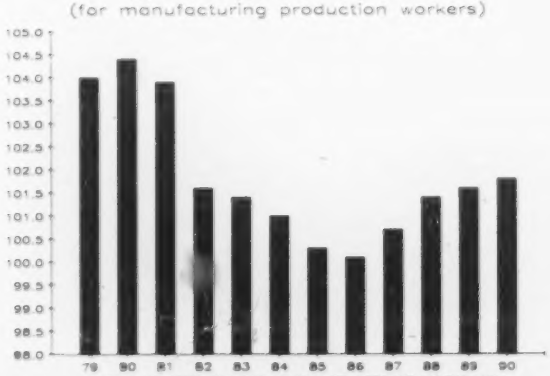
As an aside, earnings on the part of Pennsylvania factory workers are on the rise, relative to their national counterparts. Throughout the first half of the 1980s, average hourly earnings declined as a percent of the U.S. average (chart). There was an especially sharp dropoff associated with the early 1980s recessions. The trend continued downward until 1986, when Pennsylvania wages came in just one-tenth of a percentage point above national norms. In 1980, earnings stood at 104.4 percent of the U.S. average. Since 1986, Pennsylvania wages have increased relative to the nation so that, as of 1990, they were 1.8 percent higher than in the U.S. as a whole.

At the same time, earnings trends have differed considerably across industries. It is no surprise that average annual wages in goods producing industries, dominated by the manufacturing sector, are considerably higher than in service producing establishments. In 1989 (the latest available

THE PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(1973=100)

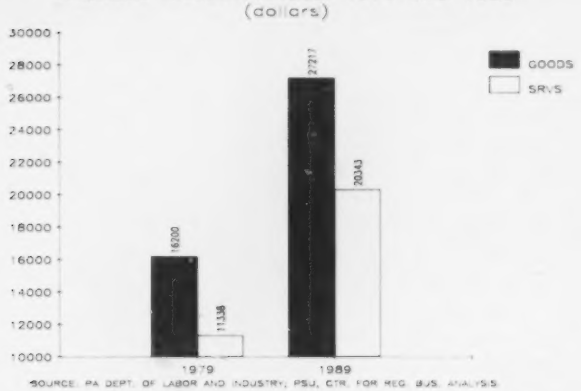
SOURCE: PENN STATE UNIVERSITY, CENTER FOR REGIONAL BUSINESS ANALYSIS.

PA AVERAGE HOURLY EARNINGS
AS A PERCENT OF THE U.S.
(for manufacturing production workers)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY; PSU.

PA GOODS PRODUCING AND SERVICE PRODUCING AVERAGE ANNUAL WAGES: 1979 AND 1989
(dollars)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS.

data), annual wages on the goods producing side totaled $27,217 in Pennsylvania vs. $20,343 on the service producing side (chart). Service producing wages were 74.7 percent of the goods producing average. What is interesting is that this share is up from the 70 percent reading a decade earlier. It appears that relatively strong job growth in service-type industries has resulted in stronger wage gains than in goods producing firms over time in Pennsylvania.

Elsewhere on the goods producing side, **housing activity shows no signs of breaking out of its recent slump. In February, the number of new housing units authorized by permit were off 27 percent from a year ago.** While the seasonally adjusted value of residential construction contracts awarded was up slightly from January readings, February valuations were off nearly 30 percent from a year ago. For

Economic Activity in Pennsylvania	UNADJUSTED DATA 1991 Jan.	UNADJUSTED DATA 1991 Feb.	UNADJUSTED DATA 1990 Feb.	SEASONALLY ADJUSTED DATA 1991 Jan.	SEASONALLY ADJUSTED DATA 1991 Feb.	SEASONALLY ADJUSTED DATA 1990 Feb.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1991 Jan.	1991 Feb.	1990 Feb.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,105*	5,106	5,108	5,192*	5,176	5,180	113.7*	113.4	113.5
Service Producing									
No. of wage and salary jobs (thous.)	3,885*	3,901	3,858	3,939*	3,936	3,893	131.7	131.6	130.2
Transportation and public utilities	267*	267	261	270	269	263	103.0*	102.9	100.5
Wholesale trade	276	274	275	278	277	277	125.3	124.8	125.0
Retail trade	900*	888	887	912*	910	909	127.2*	126.8	126.8
Finance, insurance & real estate	299	298	299	301	301	302	138.4	138.5	138.7
Service & miscellaneous	1,445*	1,457	1,422	1,472*	1,472	1,437	170.6*	170.7	166.6
Federal government	136	137	141	138	138	141	107.8*	107.4	110.4
State & local government	562*	580	575	570*	571	566	97.8*	97.9	97.0
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Construction	203*	198	203	228	226	232	124.0*	122.9	126.0
Mining	26	26	27	27	27	28	56.0	56.0	57.5
Manufacturing	991*	979	1,020	998*	987	1,028	74.4*	73.6	76.6
Durable goods	558*	548	577	562*	554	583	69.4*	68.4	72.0
Nondurable goods	434*	431	443	436	433	445	82.0*	81.4	83.6
Ave. wkly. hrs. worked by prod. workers	39.8	40.2	40.5	40.0	40.5	40.8	101.2	102.5	103.2
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Total wkly. payroll (mil. dols.)	303.3*	301.7	309.8	305.7*	306.0	314.2	136.1*	136.2	139.8
Average hourly earnings (dollars)	11.25	11.24	10.91	11.22	11.22	10.89	191.7*	191.8	186.1
Average weekly earnings (dollars)	447.75	451.85	441.86	448.65	455.04	444.77	193.9*	196.7	192.3
Steel production (thous. tons)	940	649	921	n.a.	n.a.	n.a.	44.5	31.5	44.5
Industrial electric power sales (mil. kwh)	3,685	3,497	3,651	3,715	3,586	3,741	100.6	97.1	101.3
Mining									
Anthracite coal (thous. net tons)	210	206	221	265	254	273	54.2	51.9	55.9
Bituminous coal (thous. net tons)	5,029	4,884	5,985	5,238	4,953	6,068	74.3	70.2	86.0
Construction contracts awarded (mil. dols.)									
Total	573.3	577.0	555.9*	829.0	885.8	859.4*	257.7	275.3	267.1*
Residential building	155.6	139.3	198.1*	211.5	220.7	315.3*	150.3	156.8	224.0*
Nonresidential building	354.4	296.4	291.6*	526.4	459.4	449.9*	485.2	423.5	414.7*
Nonbuilding (utilities and public works)	63.3	141.3	66.2*	91.1	205.7	94.2*	125.6	283.9	130.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,416	5,432	5,510	5,505	5,532	5,615	114.6	115.1	116.8
Unemployed									
No. of persons (thous.)	415	443	373	364	397	329	90.7	99.0	82.1
Rate (percentage of labor force)	7.1	7.5	6.3						
Rate, seasonally adjusted				6.3	6.7	5.6			
Civilian labor force, no. of persons (thous.)	5,831	5,876	5,883	5,869	5,929	5,944	112.7	113.9	114.2
Initial claims for unemployment benefits	190,206	117,972	90,546	115,436	125,441	96,439	80.6	87.6	67.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1991 Jan.	1991 Feb.	1990 Feb.	Percentage Change Month Ago	Year Ago
U.S. city average	134.6	134.8	128.0	0.1	5.3
Philadelphia	140.4	140.6	132.2	0.1	6.4
Pittsburgh	n.a	129.3	123.4	n.a.	4.8

[1] Total includes workers on strike. * = figure revised n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

New Pennsylvania building permit authorizations (percent change from year ago)

	Feb.	Pct. chg.	Year-to-date	Pct. chg.
Residential	1,784	– 26.9	3,471	– 29.4
Nonresidential	869	1.8	1,493	– 2.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

the construction sector as a whole, strong growth in the non-building sector helped push up overall activity as measured by the value of contracts awarded.

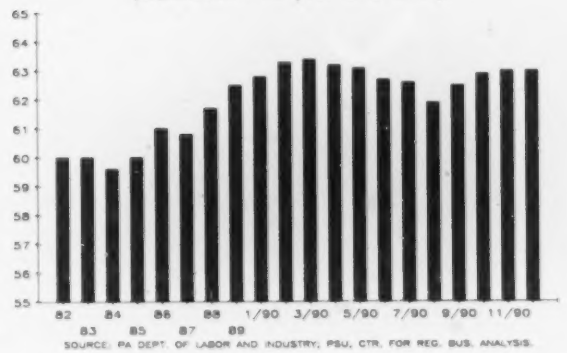
Weakness abounds on the jobs front, even beyond the discouraging trends in the factory sector outlined above. **Of the ten broad industry groups examined, nine saw seasonally adjusted job readings decline slightly or hold steady in February compared to January. Only the State and local government sector added workers, albeit minimally. Only four of the ten industries maintained higher job readings in February compared to a year ago.** In services, itself, February job readings were up 35,000 on an annual basis. On a seasonally adjusted basis, however, job levels have held essentially steady for about the past quarter, suggesting that these industries are also feeling the impacts of the recession.

The most widely-followed measures of the economy's health, employment and unemployment trends, signal a clear deterioration in the overall economy. **February marked the 16*th* consecutive month in which the jobless rate came in above year-ago readings. In the 14 months stretching back to the beginning of 1990, employment totals settled in below year-ago tallies nine times.** February's 6.7 percent jobless rate, seasonally adjusted, was up 1.1 percentage point from a year ago and 0.4 point from January. Continued upward pressure on initial claims for unemployment benefits suggest that further increases in joblessness are likely in the months ahead. Although up by 27,000 from January, the 5.53 Pennsylvanians listed as employed in February were down 83,000 from a year ago. These data are also available for March and represent the first reading of the economy's health for that month. They show continued deterioration in general employment/unemployment trends.

Periodically, trends in the labor force participation rate are examined in the *PBS*. The participation rate expresses the number of State residents in the labor force as a percent of the adult population. Recent behavior in this economic indicator is also consistent with the onset of recession in 1990. After rising almost continuously following the recessions in the early 1980s, the participation rate showed signs of leveling off in 1990 (chart). Typically, the rate rises during recoveries as more workers enter the labor force in response to the perceived availability of jobs. During economic downturns, the rate stabilizes or trends down as labor force growth eases or turns negative in response to a perceived lack of adequate job opportunities.

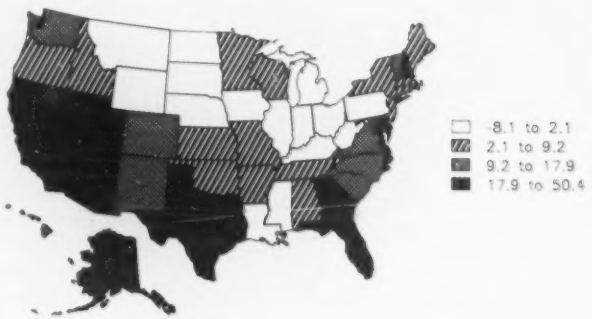
One of the demographic factors which has shaped the Pennsylvania economy's performance in recent years, and is likely to do so for years to come, concerns slow population growth in the Commonwealth. Between 1980 and 1990, Pennsylvania's population grew a weak 0.13 percent. Only five states, plus the District of Columbia, turned in weaker growth rates (map). Nationwide, population growth came in

HISTORICAL AND RECENT TRENDS IN THE PA LABOR FORCE PARTICIPATION RATE
(labor force as a percent of the population--16 yrs. and over)



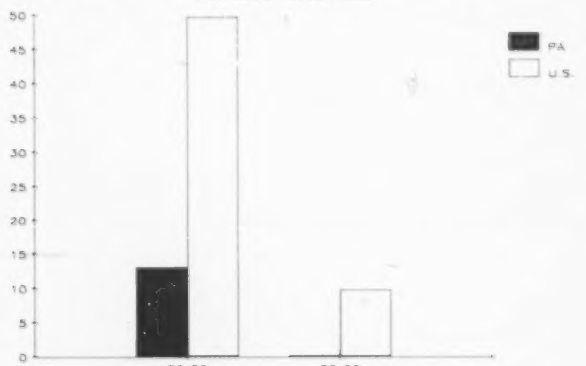
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, PSU, CTR. FOR REG. BUS. ANALYSIS.

1980-1990 POPULATION GROWTH
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS.

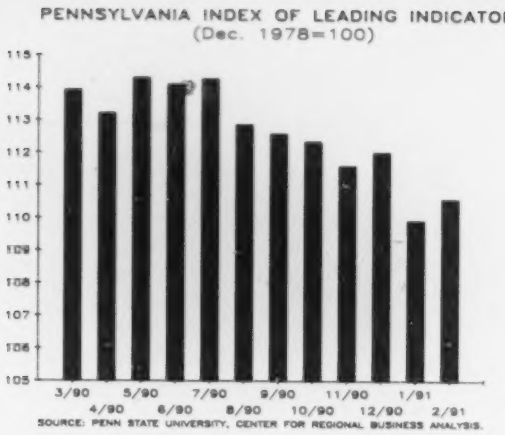
1950-1980 AND 1980-1990 POPULATION GROWTH: PA AND THE U.S.



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS.

at 9.8 percent. This is not a recent phenomenon. Over the 1950-1980 period, Pennsylvania population growth was only about one-fourth the U.S. average (chart).

The Pennsylvania Index of Leading Indicators (PILI) is not yet picking up signs that this recession is nearing an end. This measure of future expectations has been on a downtrend for several months (chart). Some may see a silver lining in recent developments. In two of the past three months, the index has gained some ground. Only time will tell if that is the start of a trend. However, as pointed out above, these gains, at best, may be the first signs that the Pennsylvania economy is showing any



indication of stabilizing. These more recent increases should not be interpreted as possibile signs of a full-fledged recovery in the Commonwealth. (There has been some slight modifications to the component variables comprising the PILI. Housing permit authorizations have been replaced by the value of residential construction contracts awarded and the average factory workweek has been added. These two variables, along with initial claims for unemployment benefits and the U.S. leading indicators, now make up the composite. Also, the U.S. Bureau of the Census is currently revising historical retail sales data for Pennsylvania, precluding the calculation of the Pennsylvania Index of Coincidental Indicators this month.)

— William D. Anderson

Pennsylvania Composite Indexes of Coincidental (PICI) and Leading (PILI) Indicators of economic activity

			Mo. pct. change	
	PICI	PILI	PICI	PILI
February 1990	118.5	114.0	0.3	−0.5
March	118.0	113.9	−0.4	0.0
April	117.3	113.2	−0.6	−0.6
May	117.0	114.3	−0.3	1.0
June	116.5	114.1	−0.4	−0.2
July	116.2	114.3	−0.3	0.1
August	115.7	112.9	−0.4	−1.2
September	114.9	112.6	−0.7	−0.2
October	114.4	112.4	−0.4	−0.2
November	114.2	111.6	−0.2	−0.7
December	113.0	112.0	−1.1	0.4
January 1991	n.a.	109.9	n.a.	−1.9
February	n.a.	110.6	n.a.	0.6

Source: Penn State University, Center for Regional Business Analysis.

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